

Zero rating

Charity Annexe – grant of a lease was zero rated

A housing association that was a registered charity had some spare adjacent land on which it decided to construct an annexe to its premises. The housing association formed a subsidiary to develop the annexe, the reason being that the subsidiary qualified for ERDF funding whereas the housing association did not. The subsidiary was VAT registered and it was accepted by all involved that the costs of constructing the annexe were standard rated.

Developments granted a lease of the annex to the housing association, and the housing association granted a sub lease to a Scottish registered separate charity.

Customs' Commissioners considered that the grant of the lease to the housing association was a business activity and was not zero-rated, with the result that the development subsidiary could not recover the VAT on its costs.

The tribunal allowed the appeal deciding that the annexe had been intended for use by a charity, which was not in the course of furtherance of a business, and the first grant – by the development subsidiary was therefore zero rated.

Chair for special needs person was not zero rated

The VAT legislation provides that certain items "designed solely for the relief of a severe abnormality or severe injury" and supplied to a handicapped person are zero rated.

A recent case had to determine whether the supply to a handicapped person of a chair with an electrically operated back rest which the handicapped person claimed should have been zero rated rather than subject to the standard rate of VAT. Unfortunately for the appellant, the chair did not fulfil the requirement of the legislation because it could also be used by an able-bodied person and it was not therefore designed solely for use by handicapped persons. The tribunal was therefore obliged to support Customs contention that the supply of the chair was standard rated.

Listed building - work approved alteration?

Approved alterations to listed buildings are zero rated whereas repairs and maintenance work is standard rated.

A recent VAT tribunal ruled that works undertaken to replace a balcony of a listed building as a result of it becoming unsafe, even though the replacement one contained more features than the original one, could not be described as alterations. The work was in the nature of a repair and maintenance rather than alteration and was not zero rated.